DOCUMENT RESUME

ED 118 764 CE 006 266

AUTHOR	Pieslak, Raymond F.
TITLE	About Banking.
INSTITUTION	Rutgers, The State Univ., New Brunswick, N.J. Curriculum Lab.
SPONS AGENCY	New Jersey State Dept. of Education, Trenton. Div. of Vocational Education.
REPORT NO	VT-102-444
PUB DATE	Oct 75
NOTE	89p.; For related documents, see CE 006 267 and CE 006 271
AVAILABLE FROM	Vocational-Technical Curriculum Laboratory, Rutgers, The State University, Building 4103, Kilmer Campus, New Brunswick, New Jersey 08903 ($2.00)
EDRS PRICE	MF-$0.83 HC-$4.67 Plus Postage
DESCRIPTORS	*Banking; Course Content; *Deaf Education; Financial Services; High School Students; Investment; *Money Management; *Secondary Education; Special Education; *Study Guides

ABSTRACT

The student manual for high school level special needs students was prepared to provide deaf students with the basic fundamentals of banking. Five units are presented covering the topics of banks and banking services, checking accounts, other services of banks, savings accounts, and other investments. Each lesson was carefully written for easy reading and comprehension and provides information, vocabulary, and assignment questions for the specific topic covered. (LJ)

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STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
DIVISION OF VOCATIONAL EDUCATION

ABOUT $BANKING

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State of New Jersey
Department of Education
Division of Vocational Education

ABOUT BANKING

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October 1975

VT 102444

NEW JERSEY DEPARTMENT OF EDUCATION – FRED G. BURKE, COMMISSIONER

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FOREWORD

ABOUT BANKING has been prepared to provide students with the basic fundamentals of banking. A unit on basic investment information has been included.

In view of the particular needs of the students for whom this has been written, the lessons contained herein have been carefully written for easy reading and comprehension.

Visual aids available from any local banking organization would be very helpful in many of the lessons. This would include "real" deposit and withdrawal forms for savings accounts, a real check book for the checking accounts, forms for certified checks, bank drafts, etc.

A simulated banking situation could be staged in the classroom with the teacher or one of the students acting as a teller. Students could practice various banking transactions with the use of real money to supplement some of the lessons.

A field trip to one or more local banks would prove very beneficial to the students. At this time the teacher could show the students where various forms used in banking transactions can be found in the bank and what procedures to follow in situations where officers of the bank can be of help to them in various banking transactions. Many large banking organizations are very cooperative in taking student groups behind the scenes to see what takes place. Of equal interest would be a field trip to a savings and loan association. If arrangements can be made, a visit to a broker's office would also be interesting.

Raymond F. Pieslak

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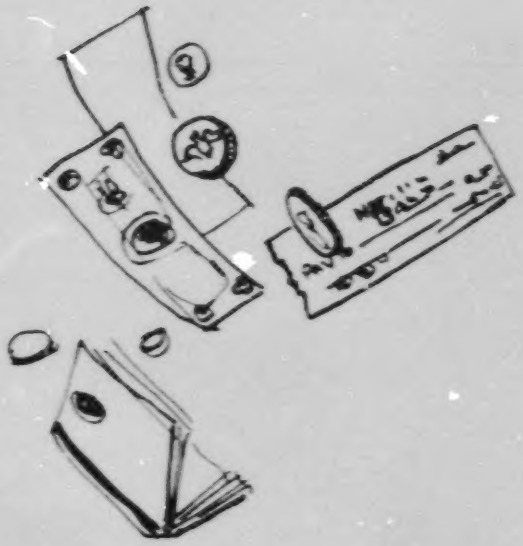

UNIT I

BANKS and BANKING SERVICES

What Is a Bank? Lesson 1

INFORMATION: A bank is a **private** business organization much like any other business. In many cases it is owned by local people. A bank provides money services for its customers. Individuals and businesses use the services of banks many times on every business day. A bank expects to earn profits just as any other business does.

Some banking services, such as making change or selling government bonds, are given free; but a bank earns money by charging for most of its services. For example, customers pay rent for the **safe-deposit boxes** they use, and they pay for the use of a checking acount. But a bank receives much of its income from interest on money it lends to customers.

1. Banks offer many services.

2. Banks accept **deposits** for **savings accounts**.

3. Why put money in a savings account?
   a. It is a safe place. (Safe from loss, theft, or fire.)
   b. The money earns **interest**.
   The money put into a savings account is used by the bank. For the use of this money, the bank pays the **depositor** money, which is called interest.

4. Jill has a summer job. She plans to save most of her wages. She knows that if she carries the money around or keeps it at home she may spend it, or it may be lost or stolen.

   To protect her money, she places most of her weekly pay in the bank. When she puts her money in the bank she makes a deposit, and she is a depositor.
   The record that the bank keeps of a customer's deposits is known as an **account**.
   When Jill places her money in the bank, she is said to have an account in the bank.

5. Banks also provide **checking account** service

6. Why have a checking acount?
   a. Checks are easy and safe to send in the mail.
   b. A check is a **receipt**. It proves you have paid someone.
   c. Checks are safer than money.

7. Banks lend money to customers. Banks use some of the depositors' money to lend to other people.

8. People **borrow** money from banks to help them pay for automobiles, furniture, and other things that they buy.

9. Banks give **advice** on money matters.
   Banks will give advice to people on how much money they should borrow; how to send money from one place to another; whether or not they should buy a certain piece of land or a house.

10. Banks have safe-deposit boxes for customers. You can rent such a box to keep **valuable** jewelry and important papers, such as birth records, marriage license, etc. Only you can open the box. These boxes are kept in strong **vaults** in the bank.

11. Banks also sell money **substitutes** – bank money orders, traveler's checks, cashier's checks, and others.

VOCABULARY:

private (PRY–vit) – belonging to a person or a group of people, not run by the government
safe-deposit box – a small metal box to keep valuable things safe.
deposit (di–PAHZ–it) – money placed in a bank account; also to put money into a bank account
savings account (SAYV–ings a–KOUNT) – a bank account on which interest is paid
interest (IN–trest) – money paid for the use of someone else's money for a while
depositor (di–PAHZ–i–ter) – a person who puts money into a bank
account (a–KOUNT) – the facts about someone's money, like a savings account, a checking account, a charge account at a store, your social security account, etc.
checking account (CHECK–ing a–KOUNT – a way of paying for things easily by depositing money in a bank and then writing checks to pay for things. The bank subtracts the amount of the check from the amount you have in your account.
receipt (ri–SEET) – a written paper that shows you have paid money
borrow (BAHR–oh) – to take or use for a time, and then give back
advice (ad–VYSS) – telling someone what is the best thing to do
valuable (VAL–ya–bal) – worth a lot of money; very important
vault (VAWLT) – a strong room, usually made of steel, for storing valuable things
substitute (SUB–sti–toot) – something that can be used instead of another thing

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ASSIGNMENT:

1. Why is it better to put money in the bank than to keep it home?

2. Why is it a good idea to pay bills by check?

3. What are some of the reasons why people might want to borrow money?

4. Why do banks lend money to people?

5. Why would you rent a safe-deposit box?

Kinds of Banks — Lesson 2

INFORMATION: Every bank in the United States is either a state or a **national** bank. State banks operate under the banking laws of their state. National banks operate under the banking laws of the Federal Government.

All banks must be controlled by the laws and rules of some government, to make sure the money deposited by customers is safe.

1. Banks are **established** for special purposes.

2. Most banks are organized as **commercial** banks.

3. A commercial bank receives our deposits, cashes our checks, and lends money to individuals and businesses. It also provides other banking services, such as renting safe-deposit boxes and selling bank money orders, traveler's checks, and bonds.

4. Each service may be handled in a different department, such as the savings department, personal loan department, investment department, etc.

5. The commercial bank today may be thought of as a "department store" of banking, because it offers such a wide variety of banking services.

6. **Trust companies** serve people by managing their money and property for them. They **invest** people's money for them.
Often a commercial bank has a trust department, which does the same kinds of things.

7. Many times they handle **estates** for people. In other words, they act as **administrators** or **executors** of the estates of **deceased** persons.

8. Trust companies and trust departments also manage the **investments** of persons who are living. They may act as **guardians** of the estates of **minors**. They may manage the estates of old people, or of others who do not want to **manage** their investments themselves.

9. An investment bank does banking business with large companies that need to borrow large amounts of money.

10. There are also **mutual** savings banks. These banks do not make a profit. Their income is used to pay salaries, expenses, and interest to depositors. Then any extra income is set aside in case it is needed. They are usually called just savings banks. Their accounts are called savings accounts.

11. Savings banks are established to **encourage** people to save their money and to make **mortgage** loans to people who want to buy homes.

12. Many savings banks also perform other services, such as renting safe-deposit boxes, operating school savings programs, and selling savings-bank life insurance.

13. Every month or every 3 or 6 months, the savings bank earnings are paid in the form of interest to the depositors. This is done by entering the amount of interest in the **passbook**.

14. The savings department of a commercial bank operates the same way, but it usually pays a little less interest than a savings bank.

15. Then we have what we call savings and loan associations. These are also known as building and loan associations, cooperative banks, and homestead associations.

16. These associations loan money for mortgages to people who want to build or buy homes.

17. Their accounts are savings accounts. Payments to depositors are called dividends and not interest, because the depositors are the owners. The dividends are entered in the depositor's passbook.
The dividends are usually about the same as the interest paid by savings banks.

18. Many banks have special Christmas and vacation-club savings accounts.

19. **Credit unions** are like small banks owned and run by the people who belong to a particular organization, like a union or a big company. Members get interest on their deposits. Most of the money is loaned to other members who need money. These borrowers pay interest when they pay the money back to the credit union.

VOCABULARY:

national (NASH--ə--nəl) –anything that has to do with the whole country (nation)

establish (es–TAB–lish) – set up; organize

commercial (kə–MER–shəl) – having to do with business. A commercial bank is a bank established to make money for its owners

trust company – a bank that will manage the money and property of people in return for payment

invest (in–VEST) – put money into something that will give interest or dividends or profit.

estate (es–TAYT) – all the property that a person owns

administrator (ad–MIN–iss–TRAY–ter) – person appointed by a court to take charge of or settle the estate of someone who has died

executor (eg–ZEK–yoo–ter) – a person named in a will to see that all the instructions of the will are followed

deceased (di–SEEST) – dead

investment (in–VEST–ment) – the use of money in some way that will make more money

guardian (GAHRD–ee–un) – a person who has been chosen to look after someone or something

minor (MY–ner) – a person too young to manage property and investments

mutual (MYOO–choo–əl) – shared by all; sharing equally in the expenses and profits (of a bank, insurance company, etc.)

encourage (in–KUR–ij) – help something along; work to make something succeed

mortgage (MOR–gij) – a loan based on a certain property. If the loan is not paid back, then the lender gets the property.

passbook (PASS–buk) – a small notebook that contains the records of deposits, interest, and withdrawals from a savings account

credit union (KRED–it YOON–yun) – an organization like a mutual savings bank. The owner-members all belong to some large group like a big company, union, church, club, etc.

ASSIGNMENT:

1. Most banks are organized as _____ banks.

2. What do commercial banks do with the money their customers deposit with them?

3. A bank that manages money and property for customers is known as a _____ company.

4. A bank that helps businesses to borrow large amounts of money is known as an _____ bank.

5. A bank organized under the banking laws of a certain state is a _____ bank.

6. A bank operating under the banking laws of the Federal Government is a _____ bank.

7. What are the two main purposes of a mutual savings bank?

8. Two other organizations that are a lot like savings banks are:

The Government Regulates Banking Lesson 3

INFORMATION: The State Governments and the Federal Government make the banking laws which the banks must obey. Regulation is necessary to make sure that the money deposited by customers will be safe.

1. State banks operate under the banking laws of the state in which they are located.

2. National banks operate under the banking laws of the Federal Government.

3. The government tells the bank what it can do with the money that people deposit.

4. For example, the government tells the bank what kinds of loans it can make, and sometimes how much interest it can charge (for example, on home mortgages).

5. The government tells the bank how much money it must *not* lend out but must keep in reserve in other banks.

6. The government also tells the bank how much cash it must keep in its own vaults to pay to people who want to **withdraw** some money from their accounts.

7. Banks are **inspected** regularly by bank **examiners**.

8. Banks are required to **publish** accounts of their financial condition. This is usually done in the local newspapers.

VOCABULARY:

regulate (REG–yoo–layt) – make the rules, control
reserve (ri–ZERV) – something set aside to be used when needed
withdraw (wiTH–DRAW) – take back, take away
inspect (in–SPECT) – look over very carefully
examiner (eg–ZAM–in–er) – inspector; someone who studies financial records and makes sure everything has been done properly
publish (PUB–lish) – print in newspapers, magazines, etc.
financial (fi–NAN–shul) – having to do with money and accounts

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ASSIGNMENT:

1. Why does government regulate banking?

2. List 3 things that the government tells the banks.

3. Does the government have any way of making sure the banks follow the laws and rules? _____ Explain.

Federal Reserve Banking System Lesson 4

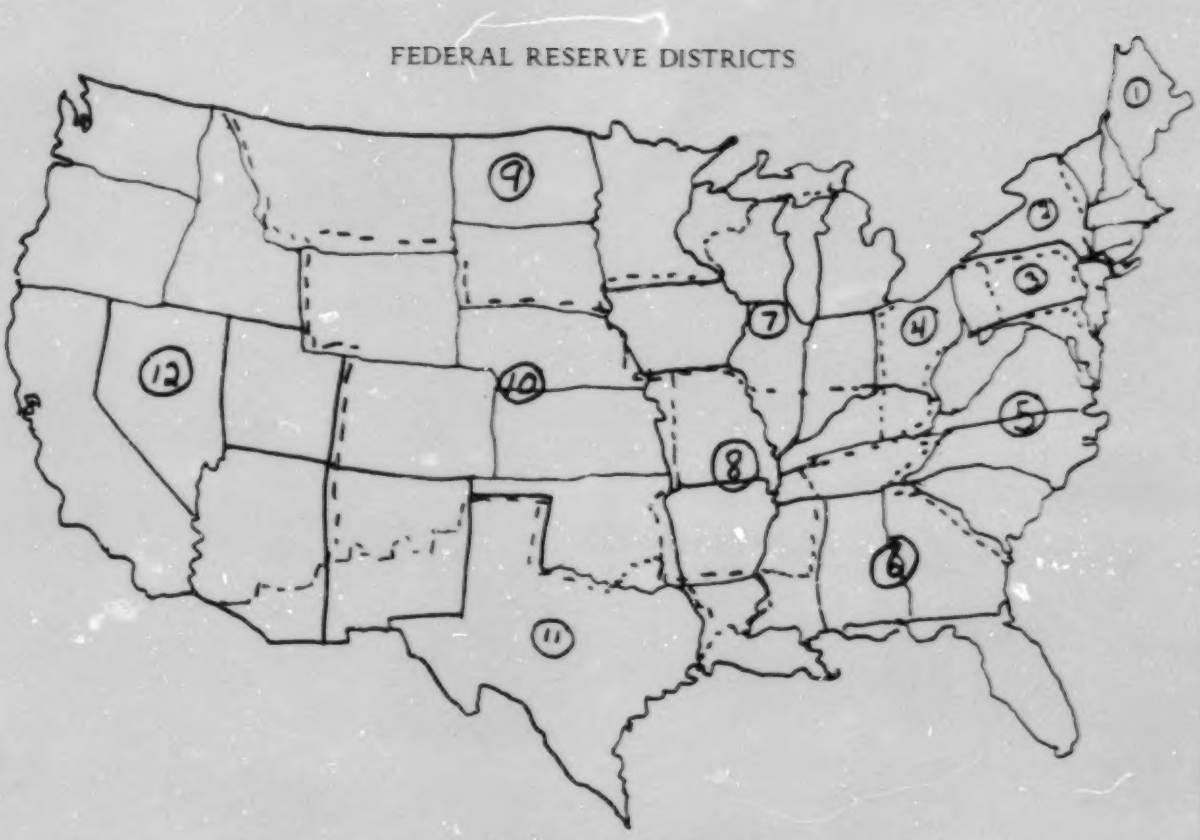
INFORMATION: In 1913 the Federal Government set up the Federal Reserve Banking System. The United States is divided into 12 districts called Federal Reserve Districts, and a Federal Reserve bank is located in each district.

1. A Federal Reserve bank is a *banker's* bank.
2. This means it receives deposits from banks and lends money to banks.
3. Banks that are members of the Federal Reserve System are known as member banks.
4. The Federal Government operates Federal Reserve banks.
5. Our Federal Reserve System unites the banks in our country into one large, strong organization.
6. All national banks must join the Federal Reserve System.
7. State banks may become members if they want to.
8. Banks that are members of the Federal Reserve System have certain laws and rules that they must follow. For example, they must keep a certain amount of money in the Federal Reserve Bank or in their own vaults.

ASSIGNMENT:

1. How many Federal Reserve districts are there in the United States?
2. A Federal Reserve Bank is a _____ bank.
3. Can *you* deposit money in a Federal Reserve Bank?
4. Look at the map of the United States showing the Federal Reserve Districts and locate each of the Federal Reserve bank cities. Show the position of the cities by marking with an X in colored pencil and printing the name of the city.

FEDERAL RESERVE DISTRICTS



The above outline map of the United states shows the 12 Federal Reserve Districts. A Federal Reserve bank is located in each of the following cities.

1. Boston, Mass.
2. New York, N.Y.
3. Philadelphia, Pa.
4. Cleveland, Ohio
5. Richmond, Va.
6. Atlanta, Ga.
7. Chicago, Ill.
8. St. Louis, Mo.
9. Minneapolis, Minn.
10. Kansas City, Mo.
11. Dallas, Texas
12. San Francisco, Calif.

Note: Alaska and Hawaii are both in the 12th Federal Reserve District.

It is also good for you to know that a branch bank of a Federal Reserve bank is located in each of the following cities:

Buffalo, N.Y.
Pittsburgh, Pa.
Cincinnati, Ohio
Baltimore, Md.
Charlotte, N.C.
Jacksonville, Fla.
Nashville, Tenn.
Birmingham, Ala.
New Orleans, La.
Detroit, Mich.
Louisville, Ky.
Memphis, Tenn.
Little Rock, Ark.
Helena, Mont.
Omaha, Nebr.
Oklahoma City, Okla.
Denver, Colo.
Houston, Texas
San Antonio, Texas
El Paso, Texas
Salt Lake City, Utah
Seattle, Wash.
Portland, Ore.
Los Angeles, Calif.

Federal Deposit Insurance Corporation — Lesson 5

INFORMATION: The Federal Government set up a company called the Federal Deposit Insurance Corporation (FDIC). The FDIC insures each bank account in a bank up to $40,000. All banks that are members of the Federal Reserve System must join the FDIC. Most of the other banks also join.

1. Every bank belonging to the FDIC must have signs in the bank stating that it is a member of the FDIC.

2. The bank will also say this at the bottom of its ads in the newspapers and in the telephone book.

3. Who pays for this insurance? The bank pays for this insurance.

4. How does the insurance work?
   If the bank should fail or go out of business, the depositor would receive the amount on his account from the FDIC.
   Only a depositor who had over $40,000 in the bank would receive less than the full amount from the FDIC.
   For example, a depositor who had $42,000 in an account would get $40,000.

ASSIGNMENT:

1. Why is it a good thing that your deposits are insured?

2. If you have $8,000 in your bank account and the banks fails, how much money will you get from the insurance company?

3. If you have $48,000 in your bank account and the bank fails, how much money will you get from the insurance company?

4. What should someone do who wants to keep $48,000 in the bank?

UNIT II
CHECKING ACCOUNTS

About Checking Accounts

Lesson 1

INFORMATION: If you want to keep your money in a safe place and also want to be able to pay bills without going to the bank to withdraw money, you should start a checking account at the bank. After you deposit some money, the bank will give you a "book" of checks, which you can fill out and use instead of cash (paper money and coins).
A check is a written order from you to your bank, telling the bank to pay your money, **on demand**, to the person named on the check. You can order your bank to pay it to anyone at all – so long as you have enough money in your account to "cover" the check.

Checks are a great convenience. For example, if you pay bills by mail, checks are safe to send, but cash is not safe to send.

The bank **cancels** the check when it pays out your money and then returns the check to you. A canceled check is your record of the money paid; this makes it a good **receipt**.

1. A checking account is a bank account where you can withdraw your money by writing checks.

2. You must not write checks for more money than you have in the **account**.
If you write a check and you do not have enough money in your checking account to cover it, you have **overdrawn** on your **account**.
The bank will not pay out the money but will charge you for overdrawing on your account.

3. You do not receive interest on the money you keep in a checking account.

4. There is some kind of **service charge** on checking accounts. Some banks charge 10 cents for each check you write, plus a service charge each month. Other banks may not have a service charge each month but will charge you maybe 15 cents for each check you write. There are many different ways of paying for a checking account.

5. Checks are an important form of money-substitute. They are used for payments of almost all business **transactions** by individuals, and businesses, clubs, lodges, and other organizations.

VOCABULARY:

on demand (di–MAND) – immediately, without any waiting time
cancel (KAN–sel) – to mark something to show that it is not to be used again
receipt (ri–SEET) – a written statement which says that you have received something
overdraw (oh–ver–DRAW) – to try to take from a bank account more money than is in the account
service charge (SER–vis CHARJ) – the amount you have to pay each month to keep an account
transaction (trans–AK–shun) – a piece of business that includes paying for something.

ASSIGNMENT:

1. What is a checking account?

2. Would you send cash in the mail? _____

3. Would you send a check in the mail? _____

4. Do you receive interest on money in a checking account? _____

5. A canceled check makes a good _____ to prove that you have paid for something.

How To Open a Checking Account Lesson 2

INFORMATION: Banks have found it unwise to open a checking account for a person whose character and honesty are not known. Before accepting anyone as a depositor, they want to be sure that he or she is trustworthy and dependable.

1. When you go to the bank to open a checking account, the bank will want to know something about you.
2. The bank will want your name and home address and telephone number.
3. The bank will want your business address (name and address of the company you work for).
4. The bank will want to know about your occupation (what kind of work you are doing).
5. The bank will ask you for a reference.
6. If you have just moved into town, you may be asked to give as a reference the name of your bank where you lived before.
7. The bank will ask you to fill out a signature card.
8. On the card you may have to give information about yourself.
9. You will be asked to sign your name on the signature card exactly the way you will sign it on all your checks.
10. The bank keeps the signature card. Many times the bank will use this card to compare with your signature on a check, to be sure they are the same.
11. The bank will give you an account number. This number will be on all your checks.

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VOCABULARY:

reference (REF–er–ens) – a person who knows you and who can be asked to tell whether you are trustworthy, dependable, etc.
signature (SIG–na–cher) – your name, *written* by yourself (not printed)
exactly (eg–ZAKT–li) – correctly; the same in every way
compare (kum–PAIR) – see how things are alike and how they are different

---

ASSIGNMENT:

Complete a signature card

SIGNATURE			ACCT. NO. ___ – ___ – ___
			OPENED BY / DATE 19
INITIAL DEPOSIT $	OFFICE		
TELEPHONE	LISTED / UNLISTED		SOCIAL SECURITY NO.
PRINT NAME			
ADDRESS			
CITY		State	Zip Code

I AGREE TO ALL THE RULES AND REGULATIONS OF THE CHECKING ACCOUNT DEPARTMENT OF THIS BANK.

FIRST CHARTER NATIONAL BANK
East Brunswick, New Jersey

D-1

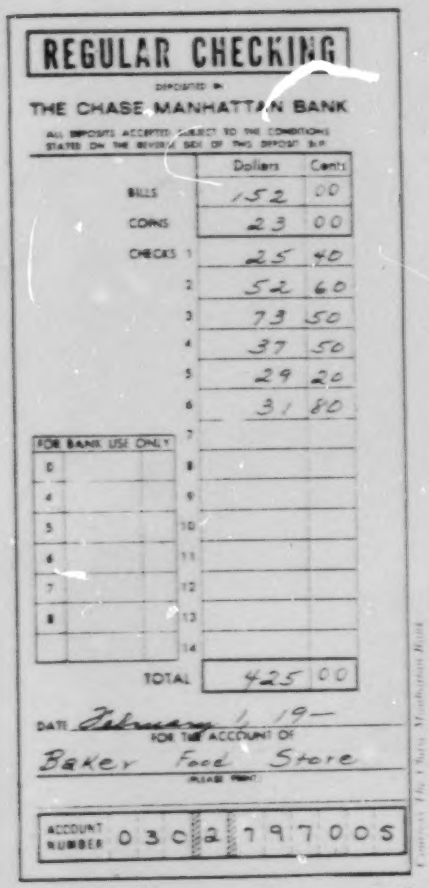
AGE	WEIGHT	HEIGHT
EMPLOYER	ADDRESS / PHONE	
CLOSE RELATIVE	ADDRESS / PHONE	
FORMER BANK ACCT. WITH:		

Making a Deposit

Lesson 3

INFORMATION: Before you make out any checks, you must have money in your checking account. So the next step in opening a checking account is to deposit money in your account.

1. You fill out a **deposit slip**.
2. The amount of your deposit must be written on the deposit slip.
3. The deposit slip is a record for the bank's bookkeeper. It is also *your* record of the deposit, so the bank clerk will give you a copy stamped by the bank.



REGULAR CHECKING

DEPOSITED IN

THE CHASE MANHATTAN BANK

ALL DEPOSITS ACCEPTED SUBJECT TO THE CONDITIONS STATED ON THE REVERSE SIDE OF THIS DEPOSIT SLIP

		Dollars	Cents
BILLS		152	00
COINS		23	00
CHECKS	1	25	40
	2	52	60
	3	73	50
	4	37	50
	5	29	20
	6	31	80
	7		
	8		
	9		
	10		
	11		
	12		
	13		
	14		
TOTAL		425	00

FOR BANK USE ONLY

DATE February 1, 19—

FOR THE ACCOUNT OF

Baker Food Store

PLEASE PRINT

ACCOUNT NUMBER 0 3 0 2 1 9 7 0 0 5

4. On the deposit slip you put your name the same way you write it on checks. Some banks also ask you to write your home address.
5. You will put your account number on the deposit slip.
6. There will be a space on the deposit slip for the date.
7. The deposit slip will also have separate lines and headings for you to list the **items** you are depositing. This will help the **bank teller** check the deposit.
8. "Cash" on the deposit slip means bills (paper money) and coins. In some banks bills and coins are listed separately. Sometimes "currency" is used instead of bills for paper money.
9. The deposit slip then has many blank lines for checks (from other people) that you are depositing in your own account.
10. There are three ways of listing checks on deposit slips. If the check is from a local bank, the name of the bank is listed. If it is from an out-of-town bank, the name of the town is listed. Checks may also be listed by number. The number of the check is printed in the upper right-hand corner of the check.

11. This number is called the American Bankers Association Number or the ABA Number.

For example: $\frac{74-64}{409}$

The top left-hand number (74) means the city or state in which the bank is located. The top right-hand number (64) is the number given to the individual bank within that city or state.
The number below the line is the Federal Reserve number. It is used by banks in sorting checks. This number is *not* listed on the deposit slip.

12. The last line is the total of your deposit. Add up all the items on your deposit slip and write the total on the line.

13. You may go into the bank to make your deposit. But there are several other ways you can make a deposit:
    a. Drive-in window. You can save time by driving up to the drive-in window and giving your deposit to the drive-in teller. Drive-in windows are usually open after regular banking hours when the rest of the bank is closed.
    b. Deposit by mail. You use a special form which has an envelope, a deposit slip and receipt-form together. The bank mails the receipt back to you. *Never* mail cash deposits.
    c. **Night depository**. A night depository is a locked opening in the outside wall of a bank. The depositor uses a special key. Deposits are dropped through the opening into a safe. This is used when the bank is closed. It is helpful to storekeepers and collectors who have large amounts of cash to deposit at the end of the day, when the bank is closed. When the bank reopens in the morning, the deposit is checked and recorded by a teller.

VOCABULARY:

deposit slip or deposit ticket – a form that shows what is being deposited. It is used with every deposit.
item (EYE–tem) – one single thing from a list or group
teller (TELL–er) – a worker at a bank who takes care of deposits and withdrawals
night depository (di–POZ–i–tor–i) – a place where something is placed to keep it safe during the night

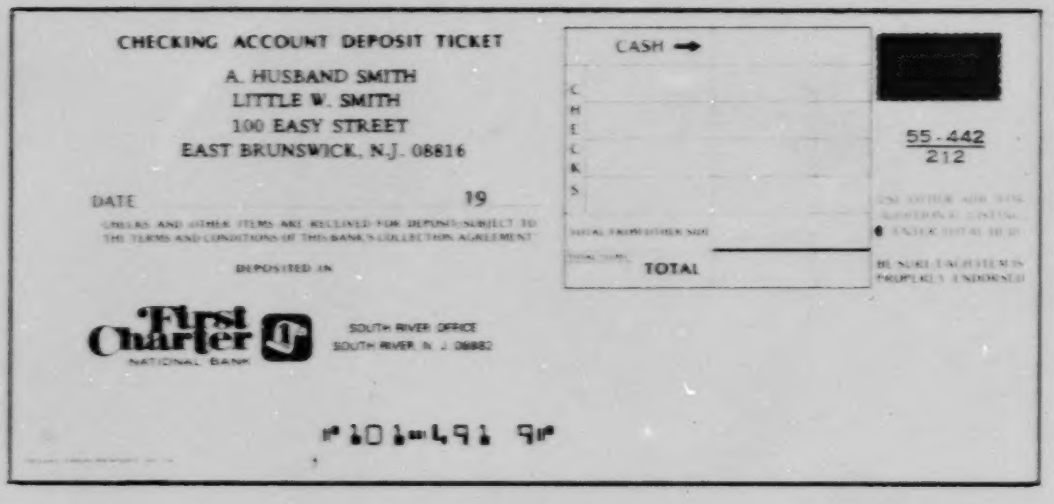
---

ASSIGNMENT:

1. A place where a deposit can be made at the end of the day after the bank is closed is called a _____

2. A place where you can drive your car and make a bank transaction without leaving your car is called a _____ _____

3. Fill out a deposit slip.


CHECKING ACCOUNT DEPOSIT TICKET

A. HUSBAND SMITH
LITTLE W. SMITH
100 EASY STREET
EAST BRUNSWICK, N.J. 08816

DATE 19

CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE TERMS AND CONDITIONS OF THIS BANK'S COLLECTION AGREEMENT

DEPOSITED IN

First Charter NATIONAL BANK

SOUTH RIVER OFFICE
SOUTH RIVER, N. J. 08882

CASH →

CHECKS

TOTAL

55-442
212

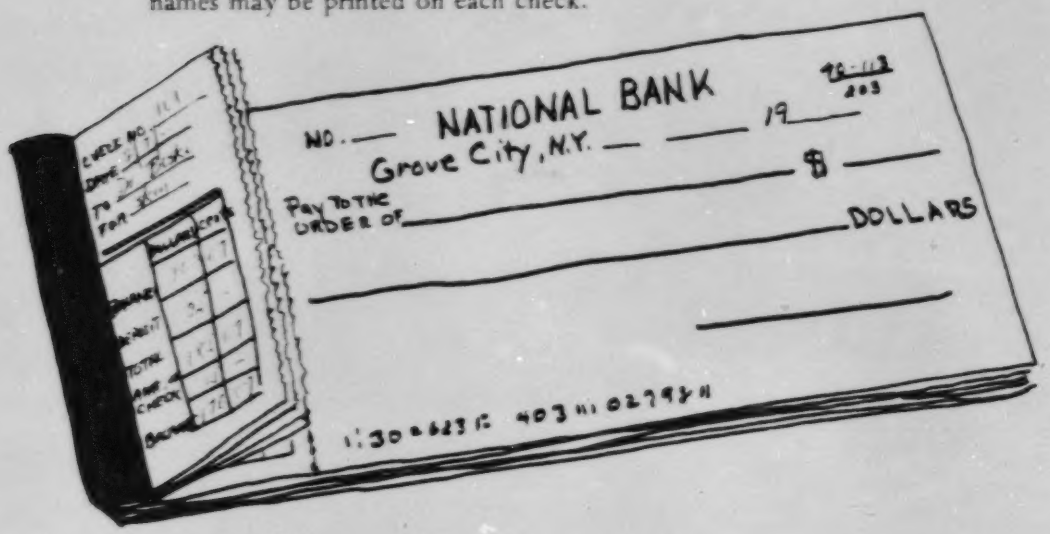
⑈101⑈491 9⑈

The Checkbook — Lesson 4

INFORMATION: Banks give their depositors blank checks in books known as **checkbooks**. A **personal** checkbook is often made to fold and fit into a pocket or pocketbook, or it may be a straight book with a hard cover. There is one check to a page. A checkbook used in business contains three or more checks to a page.

When you deposit your money for the first time, you will receive a book of checks. Whenever you wish to withdraw money, you fill out a check, which is an order to the bank to pay the amount shown on the check.

Checkbooks are often given to depositors without charge. Their names may be printed on each check.



1. Each check has two parts, the **stub** and the check itself. They are separated by a **perforated** line, so that it is easy to tear the check from the stub.

2. As soon as you make any deposit in your checking account, you should **enter** the amount of the deposit on the check stub.

3. A check stub always has a space where you can enter the amount of a deposit. It reads: "Amount Deposited."

4. Then you will find a line for "Total." At the time of your first deposit, the total will be the same as the deposit.

5. After that, you must add your balance (money left in the account) to the deposit, and this will give you a new balance.

6. Another type of checkbook provides a register form for recording deposits and checks. Here is what a register form of a stub looks like.

CHECK NO	DATE	CHECK ISSUED TO	AMOUNT OF CHECK	✓	DATE OF DEP	AMOUNT OF DEPOSIT	BALANCE
							160 07
					2/6	25 -	185 07
101	2/7	Dr. Brako	15 -				170 07
102	2/10	Public Service	34 15				135 92
					2/12	82 34	218 26
103	2/13	James Dolittle (Repairman)	18 50				199 76

VOCABULARY:

checkbook – a book containing blank checks and stubs
personal (PER–sən–əl) – having to do with a person, not a business
stub – the part of the check you keep
perforated (PER–fer–ay–tɔd) – with little holes or lines punched through
enter (EN–ter) – write in an item of business
balance (BAL–ənce) – the amount left at a particular time
register (REG–is–ter) – a listing of separate items of business

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ASSIGNMENT:

1. What are the two parts of a Checkbook?

2. What is each needed for?

What Is a Joint Bank Account?

Lesson 5

INFORMATION: A bank account that is owned and used by two or more persons is called a joint account. In a joint account, all persons whose signatures are on the signature card may write checks on that account. Usually there are only two owners of a joint account.

1. In many cases a husband and wife have a joint account.
2. This means either one can sign checks against the account.
3. In joint checking accounts, the names of both persons are usually printed on the checks.
4. They should both use the same checkbook. Then they will both know how big the balance is, and they will not overdraw on the account.
5. A joint account is good because you can have one large account instead of two small ones.
6. If one person should die, the account belongs to the other immediately. This is helpful, because many times other money or property of the person who dies cannot be used until the estate is settled.
7. Because two people can use a joint account, they must be very, very careful not to make mistakes!

VOCABULARY:

joint – joined together; sharing with each other

ASSIGNMENT:

What is a joint bank account?

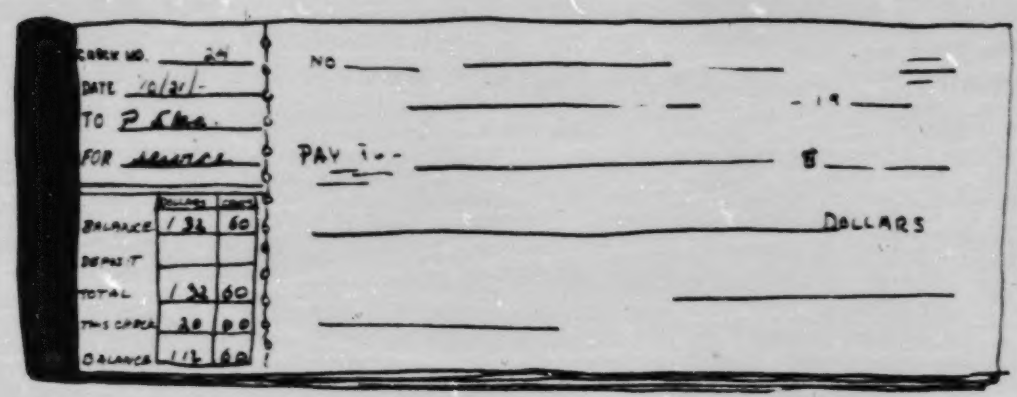
Keeping the Stub Record **Lesson 6**

INFORMATION: It is important that every check stub be carefully filled out. In this way, you will always know the *number* of each check written, *when* it was written, *to whom*, and *for what purpose* each check was made out. You will also know how much money you have in your checking account after each check has been issued.

1. The check stub should always be filled out *before* the check is written.

2. If you do not do this first, you may forget to do it and then you will not know to whom you made the check and for how much.

3. If this happens, you will not know how much money is left in your account. You will think you have more money in it than you really have.



4. First write the *number* of the check on the check stub. Be sure the same number is on the check that is attached to it.

5. All check stubs and checks should be numbered. This is not the bank number. This is the number for your own records. When the check is returned to you by the bank, you can compare the check with the check stub.

6. If you are starting a new checking account, start with number 1 and number all checks consecutively.

7. Then fill in the *amount of the check* and the *date*.

8. Another blank line on the check stub is marked "To." Here you write the *name* of the person or business to whom the check will be written.

9. Then there is a space with a line marked "For." Here you write the *reason* for writing the check.

10. Then you come to the line "Balance" or "Balance brought forward." Here you write the balance from the **preceding** stub. This is the amount you had left in the bank *after* the last check you wrote.

11. Subtract the amount of this check from the balance brought forward; this will give you the new balance in your checking account (last line of stub).

12. Remember, when you make a deposit, to write the amount on a check stub as soon as you can, or you may forget it. Add it to the balance brought forward. This will give you the new amount in your checking account.

VOCABULARY:

issue (ISH–you) – send out, give out
records (REK–erdz) – accounts, lists of facts you need
consecutive (kun–SEK–you–tiv) – one after the other, in order, without any skipping. For example, 7, 8, 9, 10, and 11 are consecutive numbers.
preceding (pree–SEED–ing) – coming just before (this one)

ASSIGNMENT:

1. Why is it important to fill out the check stub first?

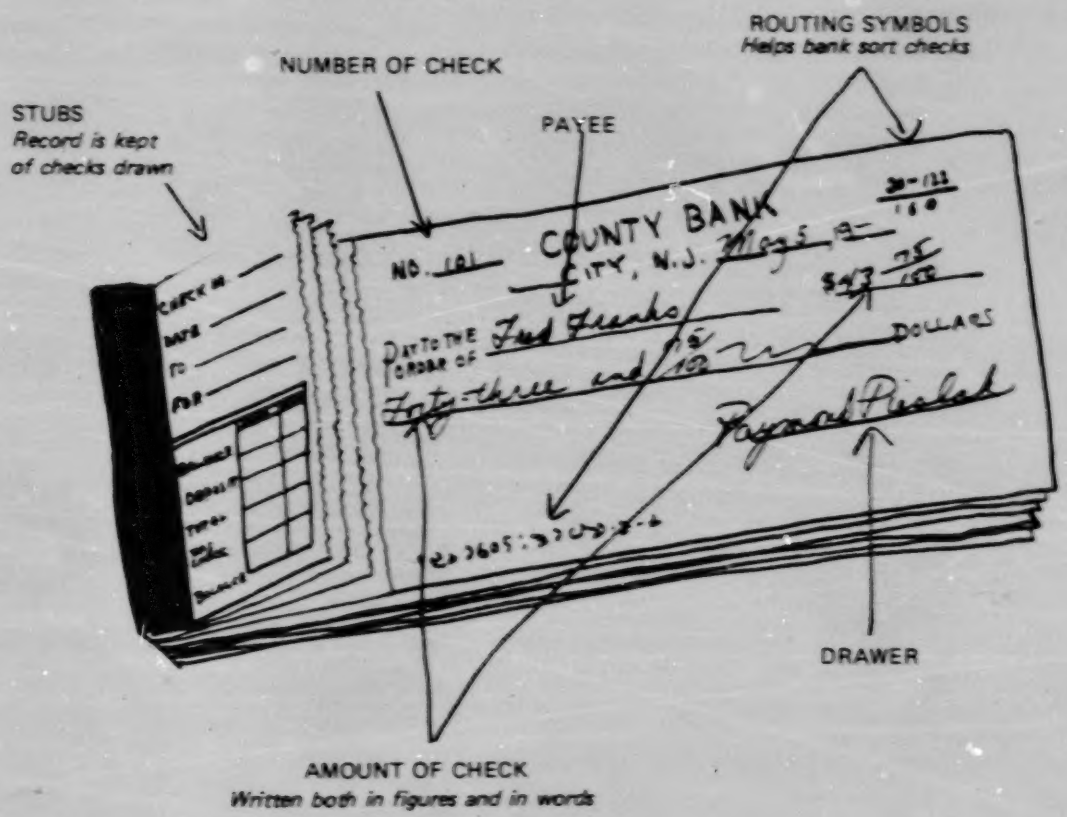
2. What do you write on the blank line that reads "To"?

3. What do you write on the blank line that reads "For"?

4. Where on the check stub can you find out how much money you have left in the checking account?

Writing Checks **Lesson 7**

INFORMATION: Since a check is an order directing the bank to pay money, it must include complete information. If you will look at a check, you will see that the name of the bank and its city and state are always printed on each check. The bank number is printed in the upper right-hand corner. You will also see a number printed on each check in the lower left-hand corner. This is a code number given to you by the bank. The code number is printed in a special kind of ink in a special style of printing, so that the machines in the bank can recognize the check as yours.



1. All checks should be written in *ink* or with a ballpoint pen. Checks may also be typewritten.

2. It is safer this way, because if you use a pencil, the information on the check can easily be erased and changed.

3. Businessmen who have many checks to issue use a machine known as a **check writer** or **check protector**. This machine prints the amount on the check in such a way that it cannot be changed. Some companies also use a machine to put in the signature.

4. In the upper right-hand corner of the check you write the check number. Be sure this is the same number as on the check stub.

5. The date – month, day, and year – is written in the space provided on the check in the same way as it was written on the check stub.

6. On the next line you will see "Pay to the order of." This is where you write the name of the person or business to whom you are making the check. The name on this line is known as the **payee**.

7. Be sure to spell the payee's name correctly, or the payee may have trouble cashing the check. Do not use titles like "Mr." and "Mrs." If it is a name of a company, write the name the same way it is printed on the bill or letterhead.

8. You must write clearly. Checks that are not clear will not be paid by the bank.

9. Never erase on a check. If you make a mistake, **void** the check or tear it up. If you do this, be sure to mark "VOID" on your check stub and write a new stub.

   Checks with an erasure or correction will be questioned by the bank.

10. If you want to withdraw money from your checking account for yourself, you make the check payable to Cash.

11. The amount on the check is written two times. It is first written in figures after the dollar sign following the name of the payee.

12. The amount should be written *close to* the dollar sign, so that someone **cannot** insert another figure between the dollar sign and the amount.

13. The figures for the cents should be written a little smaller than the dollar figure. Cents are written as hundredths of a dollar (a fraction), such as:

$\frac{25}{100}$ or $\frac{37}{100}$ or $\frac{00}{100}$ (if there are no cents)

3·1

14. On the next line the amount is then written a second time. The amount in dollars is written in words, and the amount in cents as a fraction of a dollar.

15. The writing should begin at the extreme left end of the line, so that the amount cannot be changed by the addition of a word at the beginning of the line. A line should be drawn from the fraction to the word "Dollars" to fill all unused space on that line.

16. Be sure the amount written in figures is the same as the amount written in words.
You should learn to spell amounts correctly.

17. Here is a spelling list for amounts written on checks:

one	eleven	twenty-one	thirty-one, etc.
two	twelve	twenty-two	forty
three	thirteen	twenty-three	forty-one, etc.
four	fourteen	twenty-four	fifty
five	fifteen	twenty-five	sixty
six	sixteen	twenty-six	seventy
seven	seventeen	twenty-seven	eighty
eight	eighteen	twenty-eight	ninety
nine	nineteen	twenty-nine	ninety-nine
ten	twenty	thirty	one hundred

18. A check is not often written for an amount less than one dollar. But if you must write out a check for less than one dollar, write the amount in figures after the dollar sign like this: $\$\frac{87}{100}$

19. On the next line write it in words, such as:
"Only eighty-seven cents," followed by a line drawn to the word "Dollars," and the word "Dollars" should be crossed out.

20. Now you are ready for the signature on the check. Sign your name the same way you did on the signature card.

21. The person who signs a check is known as the drawer.

22. A married woman signs her first and last name on a check (and her initial or middle name if that is the way she signed the signature card).

For example: *Jane R. Wilson*, NOT *Mrs. John R. Wilson*

23. NEVER sign your name to a check that has not been completely filled out.

35

24. Signature for a business:

MACK MACHINE COMPANY

By_____

"By" before the signature means the check is charged to the company or club and not to the person who signed the check.

Signature for a School Club:

GIRLS TALK CLUB

By_____

25. A forged check is a check on which the depositor's signature was written by someone who had no right to do so. If the bank cashes a forged check, the bank is **responsible** for the amount of the check, and *not* the depositor.

VOCABULARY:

code (KODE) – words or numbers that mean something else
recognize (REK–ig–nyze) – know
payee (pay–EE) – the person to whom a check is written
void – cancel, destroy the value of (something written)
extreme (eks–TREEM) – at the farthest possible place
drawer (DRAW–er) – the person who signs a check
forge (FORJ) – to write someone else's signature in order to get something that doesn't belong to you
cash – to pay out cash (bills and coins) for a check
responsible (ri–SPON–si–bl) – having to pay any loss that occurs because of a mistake

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ASSIGNMENT:

1. Why is it important to write checks in ink?

2. Businessmen use a machine to make out checks. What is this machine called?

3. Must the check number on the stub be the same as the number on the check?

4. Who is the payee of a check?

5. Can you erase on a check?

6. What do you do if you make a mistake?

7. How would you write $175.25 on a check?

_____ Dollars

8. The person who signs the check is known as the _____

Special Checking Account — Lesson 8

INFORMATION: A bank provides different services for its depositors. It records his deposits. It supplies him with a checkbook. It keeps a record of his account and sends him a copy of this record at the end of each month or every two months. A bank also keeps enough cash on hand so that it will always be able to pay the checks drawn by the depositor. These services require the work of many people, as well as the use of expensive equipment. All these services cost the bank money.

Almost all banks make **service charges** on checking accounts. A service charge may be a certain amount each month, known as a **maintenance** charge plus a charge for each check written.

1. Many depositors write only a few checks each month and keep only small bank balances.

2. For such depositors, banks commonly offer "special" checking accounts.

3. These accounts may be given different names by the bank, such as "Pay-by-Check Account," "Handi-Check Account," and "Thrift-Check Account."

4. Not all banks make the same charge for special checking accounts.

5. For example, some banks may charge 10¢ for each check written, and a monthly maintenance charge of 25 cents.

6. So, if a depositor wrote 10 checks in a month, the total service charge for the month would be:

10 checks at 10¢ each	$1.00
Maintenance charge	.25
Total service charge	1.25

7. Banks that have no maintenance charge for a special checking account will make a larger charge for each check written.

8. For example, a bank that has no maintenance charge for special checking accounts may charge 15 cents for each check written.

VOCABULARY:

service charge (SER–viss CHAHRJ) – a charge made by a bank for a checking accoount

maintenance (MAIN–tən–əns) – keeping something going as it should be

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ASSIGNMENT:

If a bank charges a monthly maintenance charge of 35 cents and 10¢ for each check you write, how much would it cost you at the end of the month if you wrote 13 checks that month?

Regular Checking Account — Lesson 9

INFORMATION: Regular checking accounts are used mostly by those who write many checks. As with the special checking accounts, a charge is made for handling the account, and a charge is made for each check written. But for a regular checking account the maintenance charge is larger than it is for a special checking account, and the charge for each check is less. On a regular checking account the bank may sometimes give some credit if a certain balance remains in the account.

1. On a regular checking account a bank may charge 75 cents as the maintenance charge.

2. The bank may charge 6 cents for each check written.

3. It may charge 6 cents for each check deposited.

4. The bank may give a credit of 12½ cents for each $100 in the average balance for the month.

5. For example, if a depositor wrote 20 checks, deposited 2 checks, and had an average bank balance of $400, his charge for the month would be found as follows:

Maintenance charge	$ .75
20 checks written at 6 cents each	1.20
2 checks deposited at 6 cents each	.12
Total charges	$2.07
$400 average balance at 12½ cents a hundred	.50
Net service charge	$1.57

6. Different banks have different ways of charging for checking-account services.

VOCABULARY:

credit (KRED–it) – an amount subtracted from a charge
average (AV–rij) – a single number that stands for several different numbers
net – the final amount remaining after subtracting something from a total amount

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ASSIGNMENT:

If you had a regular checking account and the bank charged a 65-cent maintenance charge each month plus 7¢ for each check and deposit, how much would it cost you at the end of the month if you wrote 32 checks and made 3 deposits?

Bank Statements Lesson 10

INFORMATION: The checks that you write are sent by some other bank to your bank to be paid out of your account. As each check reaches your bank, the amount on it is subtracted from your balance. The bank files the paid-out checks, called **canceled** checks, under your name. When checks are paid by the bank, they are usually stamped with the word "Paid" and the date.

Then, at the end of a certain period (a month, two months, or three months), the bank returns the canceled checks to you and also sends you a record of what has happened in your account during this time. This is known as a **bank statement**. This statement shows how your checking account appears on the records of the bank.

1. Different banks use different-looking statements, but they all include the same kinds of information. On the next page is an example of a bank statement.

2. At the top of the bank statement is the balance at the beginning of the period.

3. The statement shows the deposits made and the checks paid out of your account during the period.

4. It lists any service charges or other bank charges, and the balance at the end of the period.

5. The canceled checks are useful as receipts – your proof that certain payments were made.

6. Canceled checks should be kept for some time to make sure that the payments are not questioned.

7. Certain important checks may need to be kept for many years.

VOCABULARY:

cancel (KAN–səl) – to cross out, to make something worthless. Canceled checks are checks that have been marked "paid" by the bank and cannot be used again.

bank statement – a report sent by a bank to a depositor showing the record of all the transactions in his account during a certain period of time.

IN ACCOUNT WITH

The NATIONAL STATE BANK

ELIZABETH, NEW JERSEY 07207

MERCER OFFICE

MR, RAYMOND PIESLAK OR
MRS, MARY M, PIESLAK
6 WAKEFIELD DRIVE
TRENTON NEW JERSEY

08628

ACCOUNT NUMBER	978-800-369
DATE THIS STATEMENT	06/26/—
PAGE NUMBER	1
PRIOR STATEMENT DATE	06/05/72
PRIOR STATEMENT BALANCE	111744

CHECKS	CHECKS		DEPOSITS	DATE	BALANCE
110.52		,10		06/06	.82
			703.15	06/08	703.97
92.45		,10		06/15	611.42
			407.90	06/16	1,019.32
95.00		,10		06/19	924.22
121.88		,10		06/20	802.24
4.53	150,00	,20			
15.75	21,00	,20		06/23	610.56
21.12	47,35	,20			
131.00	30,49	,20			
5.00	16.31	,20		06/26	358,69

111,44	+ 1,111,05	− 863,80	− ,58	= 358,19

ACTIVITY FOR STATEMENT PERIOD

14	2	

PLEASE DEDUCT THIS AMOUNT, IF ANY, FROM YOUR CHECK BOOK BALANCE BEFORE RECONCILING YOUR ACCOUNT

CODES

PR PAYROLL DEPOSIT

RT DEPOSITED CHECKS RETURNED
RS STOP PAYMENTS RETURNED
RT OTHER CHECKS RETURNED
SC SERVICE CHARGE

PLEASE EXAMINE THIS STATEMENT UPON RECEIPT AND REPORT AT ONCE IF YOU FIND ANY DIFFERENCE. IF NO ERROR IS REPORTED IN TEN DAYS THE ACCOUNT WILL BE CONSIDERED CORRECT.

SEE FORM FOR RECONCILING ON BACK

ASSIGNMENT:

1. What is a canceled check?

2. What is a bank statement?

3. Does the bank return your canceled checks with your bank statement?

4. What should you do with the bank statement and canceled checks?

Reconciliation of Bank Statement — Lesson 11

INFORMATION: A depositor keeps a record of his bank account in his checkbook on the check stubs, or on the check register form if that form is used. His bank statement gives him a copy of the bank's record of his account.

Even though you have kept your records accurately, the balance shown in the bank statement may not agree with the balance on your last check stub. This is because certain checks or deposits you have already recorded may not yet have **cleared** through the bank's accounts. Or the bank may have made certain charges which you have not recorded. Then you must make a **reconciliation** of the bank statement with your stubs, so that the two balances will agree (be the same).

1. When the bank sends your statement, it also returns all your canceled checks that have cleared during the period.

2. Compare the amount on each canceled check with the amounts listed on the bank statement. They should be exactly the same.

3. Place the checks in numerical order. Compare them with the stubs or register in your checkbook. Check each one off on its stub.

4. You probably will find that some checks have not yet cleared through your bank for payment. Such checks are known as **outstanding** checks.
   Subtract the outstanding checks from the balance shown in the bank statement.

5. Then check the deposits listed on the bank statement with the deposits listed on the check stubs. Make any necessary changes to the bank-statement balance.

6. Deduct from your checkbook balance any service charges made by the bank.

7. Compare the new check-stub balance with the new bank-statement balance. If they do not agree, check for errors, either in your figures or the bank's figures. Correct your errors, or report any bank errors to the bank.

8 Many banks print a reconciliation form on the back of the statement to help you do the arithmetic.

9. The bank statement and reconciliation should be kept, so that they will be on hand when the next bank statement is received.

VOCABULARY:

clear (KLEER) – to put (a check) through the necessary steps from one bank, through a central clearing house, to another bank for payment
reconciliation (rek–ən–sil–i–AY–shun) – making two things agree; bringing the bank balances into agreement
outstanding (out–STAND–ing) – unpaid; unsettled

ASSIGNMENT:

1. A check delivered to the payee but not yet cleared through the drawer's bank is known as an _____ check.

2. To reconcile your records with the bank's records is to make them _____

Stopping Payment on a Check — Lesson 12

INFORMATION: The checks that a depositor writes are not charged to his account until they have been returned to his bank and paid. The drawer of a check may *stop the payment* at any time before the check is paid by his own bank.

He may do this by giving **notice** to the bank. If notice is given over the telephone, it must be followed by a written notice. A written notice must state the date and number of the check, the amount, and the name of the payee. A small charge is usually made by a bank for stopping the payment of a check.

1. If the holder of a check loses it, he should immediately notify the drawer of the check.

2. The drawer should then notify the bank and ask the bank to stop payment on the check.

3. If this is done, anyone finding the check cannot cash it at the bank on which it is drawn.

4. The drawer of the check may then write another check, mark it "Duplicate," and give it to the person who lost the original check.

5. Here is an illustration of a written notice form for stopping payment on a check:

Courtesy The Case Manhattan Bank

To THE CHASE MANHATTAN BANK
NEW YORK, N. Y.

STOP-PAYMENT ORDER

☐ HEAD OFFICE
☑ 240 WEST 42 ST. BRANCH

8/31 19--

Please stop payment of check No. 1589 dated 8/28/--

for $ 156.50 in favor of MARY BURNS

drawn by the undersigned on acc. This check has not been paid or drawn by your endorsement is 8/31/--

Should the undersigned issue a duplicate check in place of this check bearing the same date, number, amount and payee, the undersigned agrees to mark such check "DUPLICATE", and such duplicate check may be honored when presented to you.

I will always AGREE TO INDEMNIFY THE CHASE MANHATTAN BANK AGAINST ALL LOSS FROM NON-PAYMENT OF SAID ITEM, SHOULD YOU PAY, CERTIFY OR ACCEPT THE ITEM THROUGH INADVERTENCE OR OVERSIGHT. IT IS EXPRESSLY UNDERSTOOD THAT YOU WILL IN NO WAY BE HELD RESPONSIBLE.

☑ REGULAR CHECKING ☐ SPECIAL CHECKING

PLEASE PRINT: FROM JOHN DONAN
ADDRESS 15 CLAYTON ST.
PLACE NEW YORK, N.Y. 10036

John Donan
AUTHORIZED SIGNATURE

Sig. sp-8

VOCABULARY:

notice (NO–tiss) – announcement; warning; a telling of what is to happen
notify (NO–ti–fye) – tell, give notice

ASSIGNMENT:

1. If someone notified you that he lost the check you gave him, what should you do?

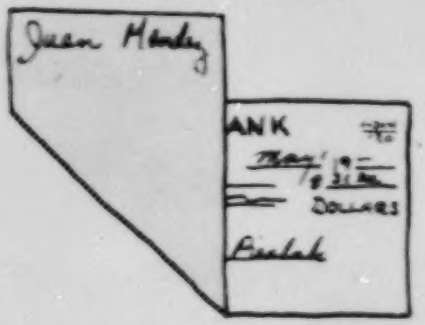
2. Can you think of any other time you might have to stop payment on a check?

Endorsements on Checks

Lesson 13

INFORMATION: When you receive a check that reads "Pay to the Order of (Your Name)," this means that the check you receive is payable to you. You are the payee. You can do one of three things with the check:
(1) cash the check at a bank
(2) deposit it in your own bank account, or
(3) transfer it to another person or business for cash or as payment of a bill.
Before you transfer a check, you should write your name on the back of the check (on the left-hand end). A signature of this kind on the back of the check is called an **endorsement**. The act of signing in this manner is called **endorsing**. Your endorsement is written proof either that you received payment from the bank or that you transferred your right to receive payment to someone else.

1. Here is a check showing an endorsement.



2. In endorsing a check, the payee should sign his name in ink exactly as it was written on the face of the check by the drawer (signer of the check).

3. If Frank C. Edwards has received a check made payable to "F. C. Edwards," he should endorse it "F. C. Edwards." He should not sign his name "Frank Edwards" or even "Frank C. Edwards."

4. If his name is not written correctly on a check, the payee should first endorse the check exactly as the name is written and then write his name correctly right below it.

5. For example, if Frank C. Edwards received a check made payable to "F. R. Edwards," he should endorse it this way:

F. R. Edwards

Frank C. Edwards

6. An endorsement that consists of only the name of the endorser is called a **blank endorsement**.

7. With a blank endorsement, the check may be cashed by anyone who has it.

8. A blank endorsement may be used whenever a check is to be transferred to someone else. But often there are better ways to endorse a check, particularly if it is to be sent through the mails.

9. Suppose someone paid you by check for something you sold him. The check you received was payable to you. Now you want this check made payable to Thomas E. Ryan of another city.

   If you make a blank endorsement by just signing your name and send the check to him, he can cash the check when he receives it, or deposit it in his own bank.

10. *But* if it should get lost before it reaches him, anyone who finds it can cash it, because the blank endorsement makes the check payable to anyone.

11. In order to make sure that no one except Thomas E. Ryan will be able to cash the check, you use an **endorsement in full**.

12. A **full endorsement** means that you write the words "Pay to the order of – – –" above your signature.

Pay to the order of
Thomas E. Ryan
Cookie Doe

13. Mr. Ryan must sign his own name before he can cash or deposit the check.

14. A **restrictive endorsement** is used when you want to limit the use of a check to a certain purpose.

15. For example, you may have several checks that you wish to deposit in the bank at a time when it is not convenient for you to go to the bank.

16. If you endorse these checks in blank and send them by mail, they may be lost and cashed by someone else.

17. *But* if you place the words "For Deposit" above your signature, you have restricted (limited) the use of each check so that it can *only* be deposited to your account.
If a check endorsed this way is lost, it cannot be cashed by the finder. You could ask the drawer of the check to give you a new check.

18. Here is an example of a restrictive endorsement:

For deposit only
B. P. Penn

19. Many businesses use a rubber stamp for restrictive endorsements. The stamp says that the check is to be deposited to the account of the company.

VOCABULARY:

transfer (transs–FER) – to change from one person to another
endorse (in–DORSS) – to sign one's name on the back of a note, bill, or a check
restrictive (ri–STRIK–tiv) – setting limits; keeping something for a certain use only

---

ASSIGNMENT:

1. An endorsement consisting of a name only is known as a _____ endorsement.

2. An endorsement including the name of the person to whom the check is transferred is known as a _____ endorsement.

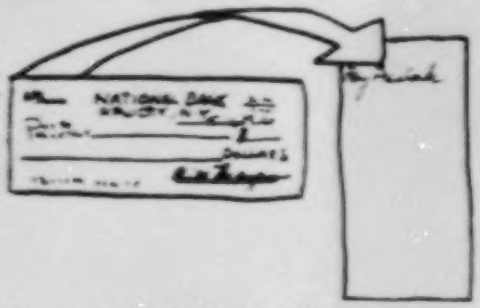
3. An endorsement that limits the use of a check to a special purpose is known as a _____ endorsement.

4. In what three possible ways may you use a check that is made payable to you?

5. Where should the endorsement be written on a check?

What You Promise as an Endorser Lesson 14

INFORMATION: When you endorse a check, you are actually signing a contract, and your responsibility is almost as great as if you had written the check itself. As an endorser you are actually making this promise: "If this check is not paid by the drawer, I will pay it."

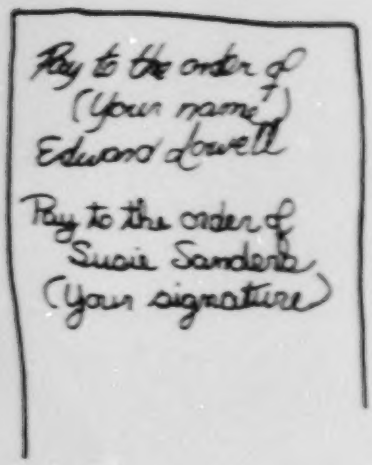


After endorsing a check, the payee usually cashes it or deposits it in a bank. But the payee may transfer the check to another person, who in turn may transfer it to still another, and so on.

1. Each person who transfers a check must endorse it, and his endorsement is another promise that the check will be paid.

2. An endorsement serves as a promise only to those who receive it after the endorsement is written.

3. It does not promise anything to those who held the check before the endorsement.



4. For example, suppose that Anne Moyer signs a check made out to Edward Lowell, and that Lowell endorses it and gives it to you.

5. Suppose also that you endorse the check and give it to Susie Sanders.

6. If the bank refuses to pay the check for any reason, Susie Sanders may collect the amount from the drawer (Anne Moyer) or from either of the two endorsers (Ed Lowell or you).

7. If she collects from you, you have a claim against the drawer (Anne Moyer) and against the first endorser (Ed Lowell); but if Susie Sanders collects from either of them, neither has a claim against you.

ASSIGNMENT:

As an endorser on a check, what promise do you make to other holders of the check?

How Checks Are Cleared and Paid

Lesson 15

INFORMATION: A check may be passed from person to person by endorsement. But sooner or later it must be returned to the drawer's bank to be paid from his account. The path by which it reaches the drawer's account depends upon whether it has been deposited in the drawer's bank, in another bank in the same city, or in a bank in another city.
When the payee and the drawer of the check have accounts in the same bank, this is what happens:

1. John Pierce and Louise Heath have checking accounts in the First National Bank in Anytown, N.J. Suppose that Mr. Pierce writes a check for $25 to Miss Heath.

2. Miss Heath then deposits the check in her account.

3. How does the transfer of funds take place? It is done by a simple bookkeeping record.

4. The bank subtracts $25 from Mr. Pierce's account and adds it to Miss Heath's account.

5. The bank then cancels the check and returns it to Mr. Pierce with his next bank statement.

When a check is paid by another bank in the same town, this is what happens:

6. Marilyn Endess has an account at the Rockwell National Bank, Littleburgh, Pa.

7. Miss Endess buys a coat for $58 and writes a check payable to the Kaylor Dress Shop.

8. The Kaylor Dress Shop endorses the check and deposits it in its account with the Citizens Trust Company, which is also located in Littleburgh.

9. When the Citizens Trust Company receives the check, it adds $58 to the account of the Kaylor Dress Shop. Then the bank endorses the check and sends it to the Rockwell National Bank for payment.

10. When Rockwell National Bank receives the check, it pays the Citizens Trust Company $58 and subtracts that amount from Marilyn Endess' account.

11. The check is then canceled by the Rockwell National Bank and is returned to Miss Enders as her record of payment.

12. Actually, where there are two or more banks in a small town, each bank may in a single day cash dozens, or even hundreds, of checks drawn on the other banks.

13. It would not be very **practical** for a bank to send a clerk to some other bank to get its money each time it cashed a check drawn on that bank.

14. Instead, a certain time of day is agreed upon by the banks to clear the checks.

15. Each bank makes up packages of its paid checks which were drawn on the other banks – one package for each bank.

16. A **messenger** may travel from bank to bank exchanging packages of checks.

17. Sometimes workers from the different banks may get together in one place to exchange checks.

18. The difference in the dollar amounts of the packages exchanged between banks is settled by various bookkeeping transactions.

VOCABULARY:

funds – money
practical (PRAK–ti–kal) – suitable for a particular use; good to use in a particular situation
clearing checks – a system by which banks transfer checks from one to another
messenger (MESS–in–jer) – a person who carries things from one person or business to another person or business

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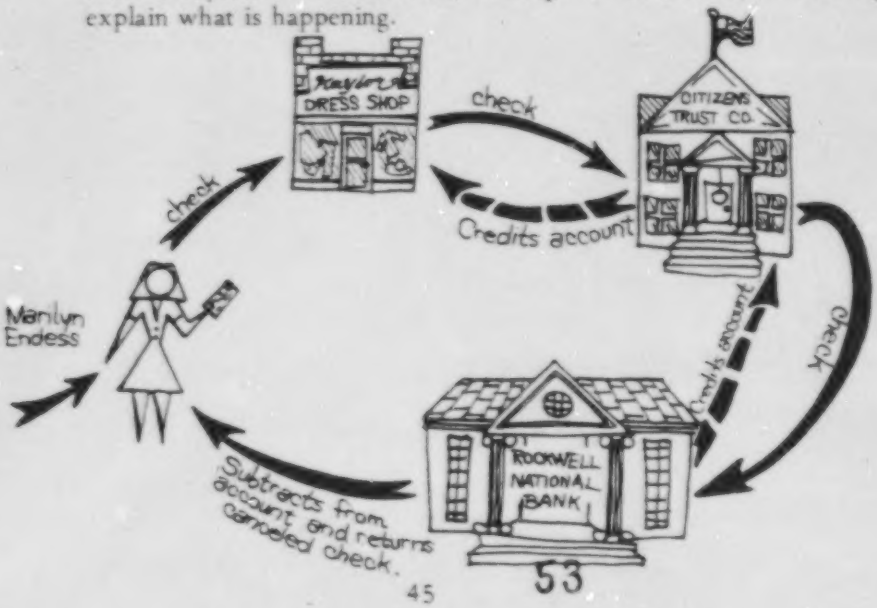
ASSIGNMENT:

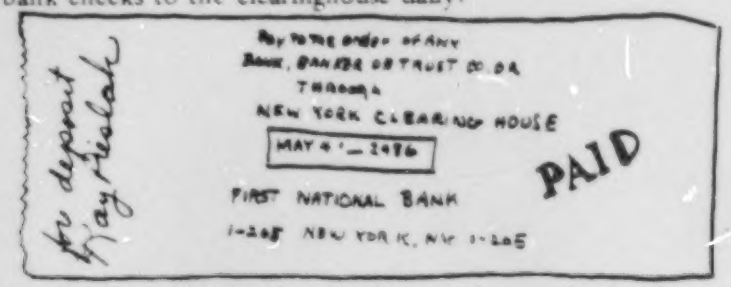
Here is a picture of sentences 6 through 11 of this lesson. See if you can explain what is happening.



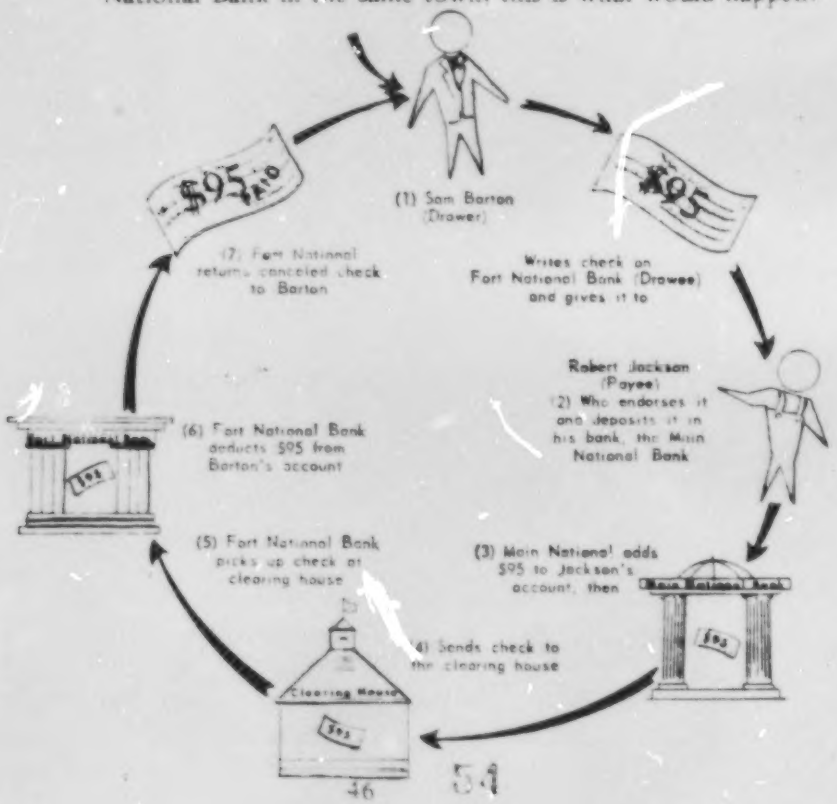
How Checks Are Cleared and Paid Between Banks in Large Cities — **Lesson 16**

INFORMATION: In *large cities*, there are a great many banks. It would not be practical for each bank to send checks for payment to all the banks on which they were drawn.

Usually city banks are members of an **association**. This association has a **clearinghouse** for member banks. Member banks send all local bank checks to the clearinghouse daily.



1. At the clearinghouse the members exchange checks deposited with them each day.
2. The number in the upper right-hand corner of a check identifies each bank. This number helps banks to sort the checks.
3. For example, if Sam Barton writes a check on Fort National Bank and gives it to Robert Jackson who has an account in the Main National Bank in the same town, this is what would happen:


(1) Sam Barton (Drawer)
Writes check on Fort National Bank (Drawee) and gives it to
Robert Jackson (Payee)
(2) Who endorses it and deposits it in his bank, the Main National Bank
(3) Main National adds $95 to Jackson's account, then
(4) Sends check to the clearing house
(5) Fort National Bank picks up check at clearing house
(6) Fort National Bank deducts $95 from Barton's account
(7) Fort National returns canceled check to Barton
$95
Clearing House

4. At the city clearinghouse, the different banks also settle their accounts by bookkeeping.

VOCABULARY:

association (ə–soh–si–AY–shən) – a group of people or businesses set up to do a particular thing
clearinghouse – a place where banks exchange checks drawn on each other
identify (eye–DENT–i–fye) – point out as one particular thing

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ASSIGNMENT:

A place where banks exchange checks drawn on each other is called a ____

_____

How Checks Are Cleared and Paid Between Banks in Different Cities

Lesson 17

INFORMATION: In a previous lesson we talked about how the Federal Government has established a nationwide banking system known as the Federal Reserve System.
One of the important services of the Federal Reserve System is the clearing of checks between banks in *different* cities.

1. The Federal Reserve System has set up a way for banks in different cities to clear checks. The Federal Reserve System handles *millions* of checks a day.

2. A check drawn on any bank in the country is returned promptly to the bank on which it was drawn.

3. Funds are transferred between banks all over the country.

4. Because of these services, checks can be used for making payments across the country just as easily as making local payments.

ASSIGNMENT:

1. A valuable service of the Federal Reserve System is the clearing of checks between banks in _____ _____

2. Could you send a check to any part of the country in payment for something?_____ Explain why.

UNIT III

OTHER SERVICES OF BANKS

Bank Draft **Lesson 1**

INFORMATION: Personal checks are usually used when payments are sent through the mail. But sometimes a personal check cannot be used. For example, you may wish to send a payment to someone who does not know you and does not wish to accept your personal check.
You may use a **bank draft**. The payee knows that the check will not "bounce" (be returned unpaid).

1. Banks keep some of their own funds *on deposit in other banks* in large cities.

2. An official of a bank may draw checks on these deposits in the same way that you may withdraw funds that you have deposited in a bank.

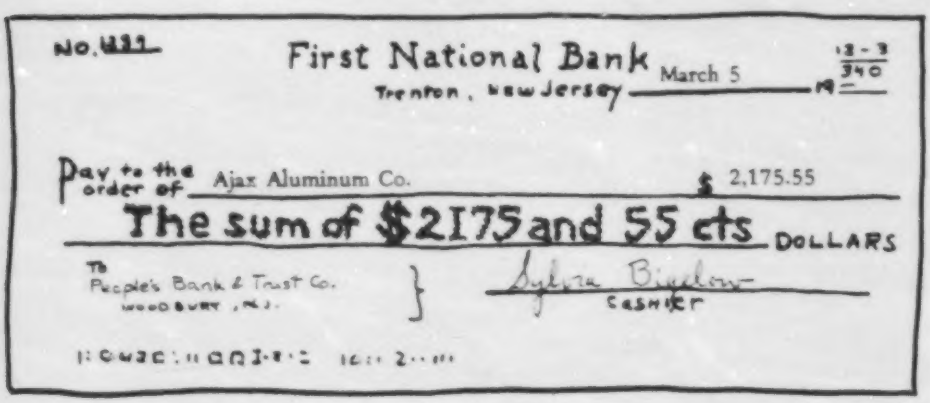
3. A bank draft is a check drawn by one bank on funds which it has on deposit in another bank.

4. Banks will write these drafts for anyone. They charge a fee for doing this.

5. A person who has a checking account issues a check payable to his bank for the amount of the draft, plus the fee.

6. A person who does not have a checking account gives the bank the amount of money called for in the draft, plus the fee.

7. Here is a sample of a bank draft.



VOCABULARY:

draft – an order for the payment of money; a check
fee – a charge for some service

ASSIGNMENT:

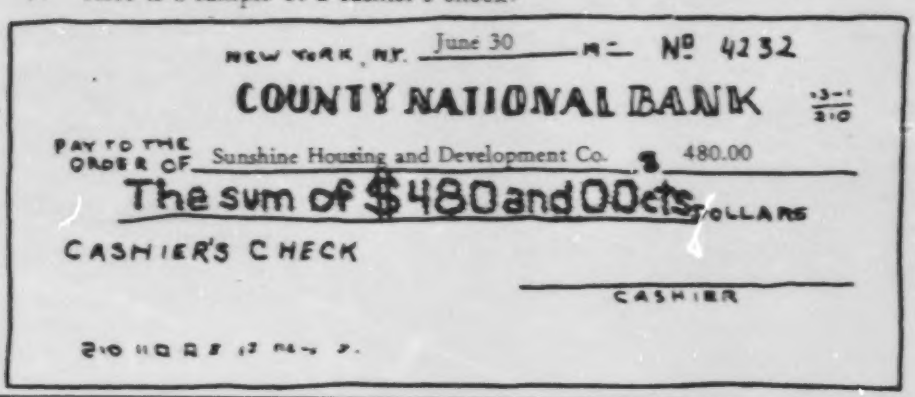
1. A check that a bank draws on its deposit in another bank is called a _____

2. If you do not have a checking account but would like to send a payment through the mail, can you buy a bank draft?

Cashier's Check — Lesson 2

INFORMATION: A check that a bank draws *on its own funds* kept in its own bank is called a cashier's check. At one time such checks were drawn by an officer of the bank known as the cashier. Now a check of this type is often drawn by another officer. Some banks call checks drawn on their own funds officer's checks, treasurer's checks, or manager's checks.

1. Cashier's checks are used by banks to pay their own bills.
2. A cashier's check is prepared by a bank official, ordering payment out of funds in his own bank.
3. Banks also write cashier's checks for their customers, for a fee.
4. The customer pays the bank the amount of the check plus the fee.
5. Cashier's checks are accepted by other persons, business firms, and banks in payment of debts.
6. Often a cashier's check is used in place of a bank draft. The payee knows he is sure to get the money.
7. Here is a sample of a cashier's check:


NEW YORK, NY. June 30 — No 4232

COUNTY NATIONAL BANK

PAY TO THE ORDER OF Sunshine Housing and Development Co. $ 480.00

The sum of $480 and 00cts DOLLARS

CASHIER'S CHECK

CASHIER

VOCABULARY:

cashier (kash–eer) – a person who handles money or is responsible for the handling of money by others

debt (DET) – money which a person owes to another person or a company.

ASSIGNMENT:

1. A check that a bank official draws on funds in his own bank is a _____

2. What kind of checks are used by banks to pay their own bills?

Certified Check — Lesson 3

INFORMATION: A certified check is a personal check that is guaranteed by the bank. The bank writes its guarantee across the face of a check to certify it. The amount of the check is immediately subtracted from the depositor's account. Therefore the depositor cannot withdraw the money or use it for other checks. That is why the bank can be certain that it will pay the check when the check is presented.

1. A certified check is your own personal check that is guaranteed by your bank. The bank checks your signature and the balance in your account before it will certify your check.

2. A certified check may be endorsed and transferred in the same way as other checks.

3. You might use a certified check, for example, if you wanted to send a payment to someone who does not know you and does not want to accept your personal check.

4. The bank will stamp something like this across the face of your check:

CERTIFIED
MERCHANTS BANK
Robert Figgins
CASHIER

5. The bank charges a small fee for this service.

VOCABULARY:

certify (SER–ti–fye) – guarantee the signature and the amount of a check
guarantee – (gar–an–TEE) – promise that a thing is just what it is supposed to be

ASSIGNMENT:

1. A personal check that is guaranteed by a bank is called a _____

2. What does the bank do when it certifies your check?

Money Orders — Lesson 4

INFORMATION: **Money orders** are often sold by banks to people who do not have checking accounts but want to send money safely through the mail. For amounts under $100, they are used much more than bank drafts or cashier's checks, because they cost less.

1. A person buying a money order pays the bank clerk the amount of the money order plus a small fee.

2. The clerk stamps the amount of the money order on the form and gives it to you.

3. You fill in the date, the name of the company or person to whom you are sending it, and your own name and address.

4. The one who receives the money order can deposit it or cash it at his bank.

5. Money orders may also be purchased at any post office. These are called **postal money orders.**

6. An **express money order** may be bought at offices of the American Express Company or the REA Express Company; some stores sell them too.

7. If a person or company wants to send money quickly to another person or company, the money may be sent by telegraph. This is known as a **telegraphic money order.**
The sender of the money pays the telegraphic office the amount to be sent plus a fee for the service. An extra charge is made for any message that is sent with the money.

VOCABULARY:

money order – an order (to a bank, post office, etc.) to pay a certain amount of money. A money order is always bought with cash.

ASSIGNMENT:

1. If you do not have a checking account but would like to send a small payment through the mail, would you buy a bank draft or a bank money order? Why?

2. If you received a postal money order as a gift, where would you go to cash it?

3. If you want to send someone money quickly, what kind of money order would you send?

Traveler's Checks

Lesson 5

INFORMATION: People who travel should not carry a lot of cash, because it may be easily lost or stolen. It is also difficult for travelers to pay expenses with personal checks, because they are dealing with strangers who cannot be sure that their checks are good. Special forms have been made to take care of the money needs of travelers. These are known as **traveler's checks.**

1. Traveler's checks may be bought at banks, express companies, travel bureaus, and many Western Union offices.

2. You pay the value of the checks plus a small fee.

3. They can be bought in checks of $10, $20, $50, and $100.

4. At the time the checks are bought, you sign each one in the **presence** of the agent (the person who is selling you the checks).

5. To cash a check, you sign it again in the presence of the one cashing it. When both signatures are the same, this is proof that the checks are really yours – not found or stolen.

6. It is easy to cash traveler's checks. They are accepted by banks, air lines, bus lines, railroads, hotels, restaurants, stores, and most other businesses in all parts of the world.

VOCABULARY:

traveler's check (TRAV–ə–lerz) – a substitute for money, used by people who are traveling

in the presence of (PREZ–ənce) – right in front of (someone), so you can be watched.

ASSIGNMENT:

1. In what form can you carry money safely when you are traveling?

2. What must you do to cash a traveler's check?

UNIT IV
SAVINGS ACCOUNTS

About Savings Accounts — Lesson 1

INFORMATION: We need to save money in order to buy the things we need and want. The best and safest way to save is with a savings account.

A person who has saved money can often **take advantage** of many **opportunities**. A watch that you wanted may be offered at a special sale at a low price. If you have saved some money, you may be able to buy it. Or your parents may find that someone wants to sell a home quickly and is willing to sell it cheaply. If they have saved money, they may be able to buy the house. Or a person may wish to invest in a small business and work for himself instead of for someone else. If he has saved, he may be able to do this.

1. Savings accounts are a good **protection** in case of sickness.

2. Savings accounts are a good protection during old age.

3. Savings accounts are a good protection in case of the death of a person who has dependents.

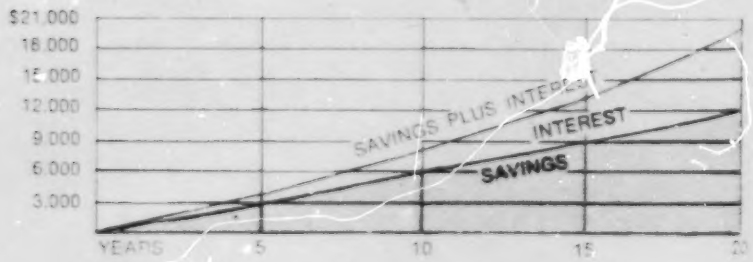
4. Savings accounts earn money for you. The bank pays you interest on your money. It adds the interest to your bank balance.

5. The bank also pays you interest *on the interest*. This is called **compound** interest.

6. Interest may be figured every 6 months, or every 3 months, or every month, or even every day. The bank's machines can do this easily!

7. For example, John Pearson finds that he can save $50 a month out of his wages. This means he will deposit $600 in a year, or $6,000 in 10 years.

   If the bank pays him 5% interest compounded twice a year, in 10 years the interest alone will amount to $1,775. Some of this has been added every 6 months to his own deposits. So at the end of the 10-year period he will have, not $6,000, but $7,775.



Growth of a Savings Account

This chart shows how deposits of $50 a month grow through the years as interest is added to the amounts deposited. In this case the interest is added twice a year.

8. If you have a savings account and you need some of your money, you can withdraw it at any time.

VOCABULARY:

take advantage (ad–VAN–tij) – make good use of; get extra good out of
opportunity (op–ər–TUNE–i–ti) – a lucky chance
protection (prə–TEK–shən) – a way of making sure you will have enough (money)
compound interest (KOM–pound) – interest paid on both deposits and on interest already added

---

ASSIGNMENT:

1. Interest paid on deposits and on interest is called _____ interest.

2. Give three reasons why it is good to have a savings account.

How To Open a Savings Account — Lesson 2

INFORMATION: The steps to be taken in opening a savings account in a bank are almost the same as for a checking account.
A person fills out a signature card, makes a deposit, and receives a savings passbook. The savings-account passbook shows the amount of each deposit, the amount of each withdrawal, the balance in the account, and the interest paid by the bank.

Deposit Book No.

IN

NEW BRUNSWICK SAVINGS BANK

NEW BRUNSWICK, N. J.

Deposited to the Credit of

Date 19

	Dollars	Cents
Bills		
Coin		
Checks		
TOTAL		

THANK YOU FOR THIS DEPOSIT

1. When you make a deposit, you fill out a deposit ticket sometimes called a deposit slip.

2. On the deposit slip you write the date, account number, and name and address.
List the items to be deposited: bills, coins, and checks, using ABA numbers.

3. To the left is an example of a deposit slip for a savings account.

4. You then present this ticket, your savings passbook, and the deposit to the bank clerk.

5. The clerk (teller) in the bank enters the deposit in the passbook and at the same time enters the deposit on a card kept in the bank.

6. Most of the time the deposit is entered by a machine. This machine enters the deposit and adds it to the old balance in the passbook. The total gives you the new balance – the amount now in your savings account.

7. If the depositor forgets his passbook, the teller will take his deposit and give him a receipt for it. It will be entered in the passbook by the bank at a later date when you bring the passbook to the teller with the receipt.

VOCABULARY:

enter (EN–ter) – write down numbers and other information in passbooks and on bookkeeping records

---

ASSIGNMENT:

1. How does a savings account differ from a checking account?

2. What steps are taken in opening a savings account?

3. Your passbook number is 029–1626. You are going to deposit $15 in cash and a check $\frac{12-67}{715}$, for $26.24. Make up a deposit ticket, using the one shown on the previous page.

How To Withdraw Money From a Savings Account — Lesson 3

INFORMATION: A depositor who wants to withdraw money from a savings account must fill out a withdrawal slip. Usually money cannot be withdrawn from a savings account unless the passbook is presented at the same time. If the passbook is lost, the bank will give the depositor a duplicate.

1. Here is a sample of a withdrawal slip. It looks like a check, but it is not a check. Note that the amount of the withdrawal has to be written both in words and in numbers, just as on a check.

Date _____ 19____

Received from **New Brunswick Savings Bank**
New Brunswick, N.J. 08903

on account of Deposit Book No. _____

_____ Dollars

I hereby certify that, in the case of a joint account, the other depositor is living.

$_____

2. The signature on the withdrawal slip must be the same as the one on the signature card.

3. Sometimes banks may require a 30-day notice to withdraw money from a savings account, especially for large amounts.

4. But almost always banks will permit withdrawals in any amount at any time.

5. You fill out the withdrawal slip for the amount of your money that you want to take out.

72

6. You give the bank teller your passbook and the withdrawal slip.

7. The teller will subtract the amount from your savings-account balance on a machine. The next balance shown in your passbook is the amount of your money left in the bank.

8. You may receive your withdrawal in cash, or you may have a check made out to you or to anyone else you wish.

VOCABULARY:

notice (NO-tiss) — announcement; warning; telling ahead of time

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ASSIGNMENT:

Fill out the withdrawal slip for $125. Use the same account number as in the last lesson.

Savings and Loan Associations **Lesson 4**

INFORMATION: Savings and loan associations are also known as building and loan associations, cooperative banks, and homestead associations. They have two main purposes: first, they loan money to individuals for use in building or buying homes; second, they help people save money in savings accounts.
Many associations also have a check-cashing service, rent safe-deposit boxes, and sell traveler's checks and United States savings bonds.

1. The funds (money) of an association are loaned to those who want to build or buy homes.

2. The borrowers pay back the loans in regular monthly **installments**.

3. There is an interest charge on the loan. This is added to the amount of the loan, and this interest rate is included in the monthly installments.

4. Savings and loan associations have savings accounts where you can deposit money in the same way as you do in a savings bank.

5. Most savings and loan associations are owned by those who have savings accounts with them.

6. The account holders receive income from their accounts. This income is called **dividends**.

7. The dividends are entered in the depositor's passbook. Dividends from a savings and loan are compounded, usually quarterly or semiannually.

8. The amount of dividends depends upon how much money the S & L is making on its loans. Dividends are usually at about the same rates as interest from a savings bank.

VOCABULARY:

installment (in–STAWL–ment) – one of the payments on a debt. A debt is often paid in equal installments every month for a certain number of years.
dividend (DIV–i–dend) – a share of profits, paid to the owners of a business.

ASSIGNMENT:

When you have a savings account with a Savings and Loan Association, the income on your account is called a _____

Credit Unions

Lesson 5

INFORMATION: Credit unions are **cooperative** associations. They are formed by the employees of a particular business, or members of a labor union, or a church, or a club, or some other organization.
Credit unions get their funds by selling ownership **shares** to their members.
Those who manage the business affairs of the union are elected by the members. Each member has one vote, whether he owns only one share or a large number of shares.

1. Deposits of members are called shares.

2. Members receive dividends. The amount depends upon how much the credit union earns on its money.

3. Dividends paid by credit unions are usually a little higher than the interest paid by savings banks.

4. Credit unions earn money by lending money to members.

5. For example, a loan may be made to a member to help him:
   (a) make purchases such as clothing, furniture, or other goods
   (b) pay bills caused by accident or sickness
   (c) use money for an investment

6. The borrower pays back his loan with interest. The interest is usually less than a bank or loan company would charge.

7. If a credit union has more money than its members need to borrow, it may also lend money to other credit unions, or buy government bonds. In that way its extra money will still earn money.

VOCABULARY:

cooperative (koh–OP– ∂r –∂ –tiv) – sharing, working together. A cooperative association is set up and run by a group of people who share its work and its profits.
shares (SHAIRS) – the parts into which the ownership of a corporation or credit union is divided.

ASSIGNMENT:

1. A cooperative association that makes small loans to members from funds deposited in it is a _____ _____

2. Who chooses the people who are in charge of the business affairs of a credit union?

3. How does a credit union earn money?

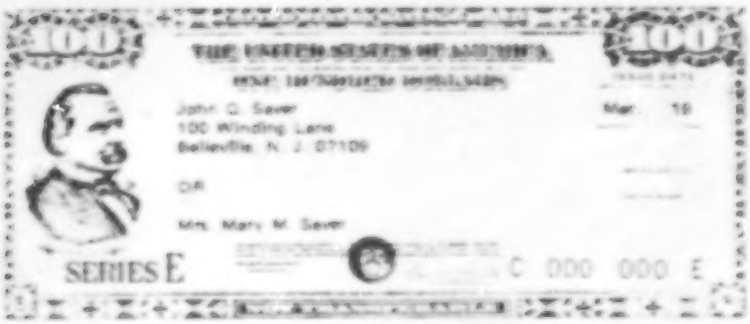
UNIT V
OTHER INVESTMENTS

United States Savings Bonds — Lesson 1

INFORMATION: Our Federal government gives people the opportunity to invest their savings by lending money to the government. We lend money to the government when we buy United States bonds.

1. Our government sells several kinds of bonds.

2. The United States Savings Bonds, Series E, are the most popular with investors who have only a small amount to invest at one time. This is what a Series E bond looks like.



3. These bonds are sold at banks.

4. The date typed on the U.S. Savings Bond shows the date it was purchased.

5. "To" shows the owner's name.

6. The face value is shown in the upper left- and right-hand corners.

7. United States Savings Bonds, Series E, can be purchased at the prices given below:

Purchase Price	Face Value
$ 18.75	$ 25
37.50	50
56.25	75
75.00	100
150.00	200
375.00	500
750.00	$1,000

8. As shown on this table, a bond with a face value of $100 cost $75. The interest earned on the bond is the difference between the purchase price and the face value. In this case it is $25.00.

9. After 2 months from the day of purchase, a bond can be **redeemed** (cashed) at the cost price.
After 6 months it can be redeemed at a higher price.

10. The cash value of a bond increases at the end of each 6-month period until the **maturity date**.

11. The number of years to the maturity date is changed from time to time, depending upon how much interest other investments are paying. In 1975 the maturity was 5 years.

12. If held for the full 5 years, the bond can be redeemed at full face value. This gives an annual rate of interest of 6%.

13. If the investor wishes to do so, he may hold the bond after it matures and it will continue to earn interest at the rate of 6%.

14. If the bond is owned by one person, it becomes part of his estate when he dies.

15. Where there are two names (co-owners) on the bond, each person is the owner. Either one may cash it without the signature of the other.

16. Where there are an owner and a **beneficiary**, one person is the owner of the bond during his lifetime. If he should die, the beneficiary becomes the owner and may redeem the bond or hold it to maturity.

VOCABULARY:

face value – the amount printed on something; the full value of something
redeem (ri–DEEM) – get cash in exchange for something, like a bond
maturity date (mə–CHUR–ə–ti) – the date on which the full face value of a bond will be paid
beneficiary (ben–ə–FISH–ee–ə–ri) – a person who receives money or property

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ASSIGNMENT:

1. When a person buys a United States Savings Bond, Series E, he is lending his money to

2. What is the value at maturity of a Series E bond costing $75?_____

3. What is the value at maturity of a Series E bond costing $18.75?_____

4. The amount of money printed on a bond is called the _____ _____

5. If you redeem a Series E bond before the maturity date, you get (more, less) than the face value.

6. If you keep a Series E bond longer than the maturity date, it (will, will not) continue to earn interest.

Investing in Stocks **Lesson 2**

INFORMATION: Banks, savings and loan companies, credit unions, and U.S. government bonds all give a person a chance to invest his or her money without **risk**. If the investor needs the money, he or she can get it back immediately.

Other kinds of investments carry more risk. The investor takes the chance that he might lose some of his money. Of course he hopes he won't. He expects his money to earn more than it would in a savings bank – to make up for the risk he takes.

A person may put his or her extra money to work by buying **stock** in a corporation. He or she becomes a part owner of the business. The investor's money is used by the management to carry on the business. If the business makes a profit, the investor shares in the profit.

1. When you buy shares of **stock** in a corporation, you are given a printed form, which is a certificate of ownership.

2. This certificate of ownership is called a **stock certificate**. Here is a picture of a certificate for 20 shares of stock in the Whirlbeaters Corporation.

3. You are a stockholder of the corporation. A large corporation generally has thousands of stockholders, and together they own millions of shares of its stock.

4. If the business makes a profit, part of the profit will be paid to you. Such payments are known as dividends.
Each share of stock will earn the same dividend.

5. Dividends may be paid annually, semiannually, or quarterly.

6. The price at which stock can be bought or sold at a particular time is known as the **market price**.

7. The market price changes frequently, usually going up and down by small amounts several times each day. The price depends partly upon how well the company is doing and partly upon how well or poorly the stock **market** as a whole is doing.

8. If the corporation's earnings are good, and dividends have been paid at regular times, the market price is likely to go up.
But if the corporation's earnings have been low or are expected to go down, the market price is likely to go down.

9. Stocks are usually bought and sold through people known as **brokers**.

10. Brokers are members of stock **exchanges**. All the brokers in an area together provide the market place for the buying and selling of stocks. These central markets are known as exchanges. For example, there is the New York Stock Exchange, The American Stock Exchange, and other exchanges in different parts of the country.

11. The prices at which stocks are bought and sold at the different exchanges are quoted in daily newspapers.

12. If you ask a broker to buy a certain number of shares of a certain stock, you pay the market price of the stock plus a **fee** for the broker. The seller of the stock also pays his broker a fee.

13. There are two kinds of stock, **common stock** and **preferred stock**.

14. The owners of preferred stock have certain privileges. They have first **claim** on any dividends the company pays – before the common stockholders.
If the earnings are not large enough to pay dividends to both preferred and common stockholders, then the common stockholders may receive none.
Also, if a corporation goes out of business, preferred stockholders have more claim on the company **assets** than the common stockholders.

15. Preferred stockholders receive a fixed dividend per share, such as $6.00 for each share they own.

16. Common stockholders do not receive a fixed dividend on their stock. For example, if a company earns a profit, the preferred stockholders are paid their fixed amount first. If the earnings are high, the common stockholders will get a bigger dividend than if earnings are poor. They may do better than the holders of preferred shares, or worse.

    So the common stocks carry more risk than preferred stocks.

17. If the company does well, the market price of a share of stock is likely to go up. Then the common stockholder can, if he wants, sell his stock at a profit.

18. If the market price of the stock goes down and the common stockholder needs money, he may have to sell his stock at a loss.

19. Preferred stocks also go up and down in price, but not usually as much as common stocks.

20. Not all corporations issue two kinds of stocks. Many corporations issue only common stocks.

21. Holders of common stock elect the directors of their corporation and vote on a few other matters. Each share gets one vote. So unless a shareholder owns a great many shares, his vote is not very important.

VOCABULARY:

risk – chance of harm; chance of failure
stock – a share in the ownership of a corporation
stock certificate (ser–TIF–ə–kit) – a printed form that shows ownership of a portion of a corporation
stockholder – a person who owns shares in a corporation
annually (AN–yoo–əl–li) – once a year; yearly
semiannually (SEM–i–AN–yoo–əl–li) – twice a year; every half year
quarterly (KWOR–ter–li) – four times a year; every 3 months
market price (MARH–kit) the price at which a share of stock can be bought or sold at a particular time.
stock market – all the places where stocks are bought and sold, all over the country
broker (BROH–ker) – a person who buys and sells stocks for other people
exchange (eks–CHAYNJ) – a place where stocks are bought and sold
fee – an amount charged for doing some service
common stock (KOM–ən) – stock that has last claim on the earnings of a corporation
preferred stock (pri–FERD) – stock that has first claim when dividends are to be paid
claim (KLAYM) – a right to something; a demand for something that is supposed to be given
assets (ASS–ets) – all the property and other things of value belonging to a person or company.

ASSIGNMENT:

1. When you have a certificate of ownership in a corporation, it is known as a _____ _____ and makes you a _____ of the corporation.

2. Dividends on stocks may be paid annually or _____ or _____

3. The price at which a share of stock can be bought or sold is the _____ price.

4. Profits of a corporation paid to stockholders are called _____

5. Stock that has the first claim on payment of dividends is known as _____ stock.

6. Stock that has last claim on dividends is _____ stock.

7. A person who sells and buys stocks for others is known as a _____

8. Investing in stocks carries more _____ than investing in a savings account or credit union.

Investing in Corporation Bonds — Lesson 3

INFORMATION: Suppose that a corporation needs to borrow $500,000 to build a new factory building. This may be more money than it can borrow from a bank.
Instead, the corporation may divide the loan into units of $1000 each. Then 500 persons might each lend the corporation $1000. Each lender would receive the written promise of the corporation to repay $1000 at a future date, probably many years later, and to pay the lender interest at a certain rate.

1. A printed promise to pay a certain amount of money at a certain time in the future is called a **bond**. The bond also promises to pay interest up to that time.

2. When a person buys a bond, he is lending money to the organization that issued it.

3. A bond pays interest. Bond interest is usually paid semiannually.

4. The bonds of a corporation usually pay a higher rate of interest than do government bonds. This is because they carry more risk.

5. Everyone is sure that any amount he lends the U.S. Government when he buys a Government bond will be paid back. There is no risk at all.

6. But a company might fail. If it goes out of business, it might not be able to repay all that it borrowed. This is why we must be more careful when we buy the bonds of a business.

7. When a company sells bonds, it *promises* to pay the interest and redeem the bonds at face value at the maturity date.
Therefore the company must pay its bondholders before it may pay out any dividends at all to any stockholders.
A company must pay on its bonds, just as it pays all its other expenses, such as wages, electric bills, supplies, taxes, etc.

8. Bonds are purchased through a broker, just like stocks.
Bonds may be bought for more or less than their face value.
For example, you may buy a $1000 bond for $975 or for $1025.

When you buy a bond at its face value, you buy it at **par**.
When you buy a bond for more than its face value, you buy it at a **premium**.
When you buy a bond for less than its face value, you buy it at a **discount**.
The market **prices** of bonds are listed in the daily newspapers.

9. The difference between investing in bonds and in stocks is:
   (a) When a person buys a bond, he is *loaning money* to a business.
   (b) When a person buys stock, he becomes *one of the owners* of the business.
   (c) A bondholder is promised a *fixed rate of interest*.
   (d) A common stockholder may, if the business makes a profit, receive a part of the profits as *dividends*.

VOCABULARY:

par (PAHR) – the face value of a bond. (Common stock also carries a par value, but it has little meaning and does not tell the value of the stock.)
premium (PREEM–ee–əm) – an amount over the regular price
discount (DIS–kount) – an amount less than the regular price.

ASSIGNMENT:

1. A printed promise to pay a definite amount at a certain time in the future is called a _____

2. How often is interest paid on most bonds?

3. What is meant by buying a bond at a premium?

4. At par?

5. At a discount?

Mutual Funds

Lesson 4

INFORMATION: Many people who have some money to invest want to buy stocks or bonds, because they feel that they can receive more income than they can from banks. But these people do not feel they are able to pick the best investments. In order to help such investors, corporations known as **mutual funds** have been set up.

1. A mutual fund sells its own stock to the public.

2. It invests the money it receives in stocks and bonds of many different companies.

3. Mutual funds pay dividends to their stockholders from the dividends and the interest that they receive from their investments.

4. Mutual funds employ men who are trained in picking the right kinds of investments, so they are able to choose investments wisely.

5. A mutual fund might invest in one company that did not make profits. But another investment that it made could be very profitable.

6. If a person invested his money in only one corporation and it was **unprofitable**, the investor could lose a lot of money. With a mutual fund he has a better chance of making some money. He takes less risk this way.

7. A person who has put money into a mutual fund can take out all or a part of his investment at any time.

8. The fund will sell its stock to investors whenever they want to buy, and it will buy back its stock from the investors whenever they want to sell.

9. But the price at which a mutual fund sells and buys back its stock **fluctuates.** The price each day depends upon the market price that day of all the stocks and bonds it owns.

10. Some mutual funds charge investors a fee. But a **no-load** fund charges only the actual value of its shares based on the day's market prices for its holdings of stocks and bonds.

11. There are many different kinds of mutual funds. Some hold stocks that carry great risks, in the hope of making a lot of money. Some hold only bonds. Some hold other kinds of investments. Some hold a mixture of different kinds of investments. Some funds are much more **successful** than others.

12. Therefore a person must learn about a mutual fund before he or she invests money in it.

VOCABULARY:

mutual fund (MYOO–choo–əl FUND) – a corporation that sells its own stock to people and invests the money that it receives in stocks and bonds of companies.
unprofitable (un–PROF–i–tə–bl) – making no profit
fluctuate (FLUK–choo–ayt) – rise and fall; move up and down
no-load – not charging any fee (commission) to buy or sell its stock
successful (suk–SESS–ful) – doing well; succeeding in what you want to do

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ASSIGNMENT:

1. A corporation that sells its own stock to people and invests the money that it receives in stocks and bonds is known as a _____ _____

2. Why is it usually safer for a person to buy stock in a mutual fund instead of investing his money in one company?

3. Should a person buy shares of stock in any mutual fund just because a salesman tells him to? Why?